



## LEGISLATIVE BUDGET BOARD

# Sources and Uses of the Clean Air Account and Texas Emissions Reduction Plan Account

**PRESENTED TO SELECT COMMITTEE ON TRANSPORTATION  
FUNDING, EXPENDITURES, AND FINANCE**

**LEGISLATIVE BUDGET BOARD STAFF**

**AUGUST 2014**

# Clean Air Account

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The Clean Air Account No. 151 is a General Revenue—Dedicated account created by Senate Bill 2, Seventy-second Legislature, First Called Session, 1991.

The Clean Air Account was established to receive Clean Air Act fees which are to be used to safeguard the air resources of the state, recover the costs of permitting new or modified emission sources, and recover the costs of permit reviews and renewals.

# Clean Air Account Revenues

Revenues in the Clean Air Account include various fees.

■ Fees relating to motor vehicles include:

- ☐ Motor Vehicle Safety Inspection Fees, \$2 per vehicle inspection sticker
- ☐ Motor Vehicle Emissions Inspection Fees, \$.50 per vehicle emissions inspection
- ☐ On-Board Diagnostic Vehicle Emissions Inspection Fees, \$2 to \$6, per emissions inspections in counties participating in the Air Check Texas/Drive a Clean Machine Program.

# Clean Air Account Revenues (continued)

- Several fees for air permits are deposited to the Clean Air Account, including:
  - ☐ Air Permit Fees
  - ☐ Air Inspection Fees
  - ☐ Air Permit Renewal Fees
  - ☐ Air Permit Amendment Fees
  - ☐ Fuel Oil Surcharge Fees
  - ☐ Permit by Rule Fees

# Clean Air Account Revenues

2012–2015 (Revenues in Millions)

REVENUE OBJECT CODE	FEE	2012	2013	2014	2015
3020	Motor Vehicle Inspection Fees	\$84.1	\$85.9	\$86.3	\$87.4
3375	Air Pollution Control Fees	\$20.6	\$23.0	\$17.4	\$18.3
Other	Reimbursements, Transfers, Miscellaneous	\$0.6	\$4.9	\$0.0	\$0.0
TOTAL		\$105.3	\$113.8	\$103.6	\$105.6

NOTE: The amounts included for 2012 and 2013 do not include Federal Receipts, which are included in the Cash Reports for 2012 and 2013.

SOURCES: Comptroller's Cash Reports for 2012 and 2013; Biennial Revenue Estimate for 2014–15.

# Motor Vehicle Inspection Fees

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Motor Vehicle Inspection Fees totaling \$86.3 million in 2014 include:

- \$43.1 million—On-Board Diagnostic Emissions Inspection Fee
- \$38.8 million—Motor Vehicle Safety Inspection Fee
- \$4.3 million—Motor Vehicle Emissions Inspection Fee

# Clean Air Account Appropriations

The majority of Clean Air Account funds are appropriated to TCEQ. In fiscal year 2012, the agency expended \$47.5 million from the account and \$53.3 million in fiscal year 2013.

Appropriations to the TCEQ out of the Clean Air Account total \$58.6 million in each fiscal year of the 2014–15 biennium.

Texas A&M Agrilife Research is also eligible to receive appropriations from the Clean Air Account. The agency spent \$0.5 million in each fiscal year of the 2012–13 biennium and was appropriated \$0.5 million in each fiscal year of the 2014–15 biennium from the account.

# Uses of the Clean Air Account

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Funds in the Clean Air Account are generally used to protect the air resources of the state. Clean Air Account appropriations to TCEQ fund various agency programs including:

- Air Permitting
- Air Inspections and Enforcement
- Air Monitoring



# Uses of the Clean Air Account (continued)

- Air Quality Planning, including Development of the State Implementation Plan
- The Drive a Clean Machine/Air Check Texas program, also known as the Low-Income Vehicle Repair, Retrofit, and Accelerated Vehicle Retirement Program (LIRAP).
- Vehicle Emissions Inspection and Maintenance Program.
- Agency Administration

# Uses of the Clean Air Account (continued)

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In addition, Health and Safety Code, Chapter 386, provides for a transfer of \$500,000 per year from the Clean Air Account to the Texas Emissions Reduction Plan (TERP) Account No. 5071.

# Balances in the Clean Air Account

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Clean Air Account revenues that are not appropriated remain in the fund balance of the account and can be used for certification of the General Appropriations Act.

For the 2014–15 biennium, the Comptroller used \$209.2 million in balances in the Clean Air Account towards certification.

# Texas Emissions Reduction Plan Account

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The Texas Emissions Reduction Plan Account No. 5071 is a General Revenue–Dedicated account established by Senate Bill 5, Seventy-seventh Legislature, 2001. The same bill established the Texas Emissions Reduction Plan (TERP) program.

# **Texas Emissions Reduction Plan Account** (continued)

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TERP is a grant program available in areas of the state that are in non-attainment or near non-attainment with federal Clean Air Act (CAA) standards.

Grants are provided to eligible individuals, businesses, or local governments to reduce emissions from on-road and non-road diesel-powered construction and industrial equipment, vehicles, and stationary engines.

# **Texas Emissions Reduction Plan Account** (continued)

TERP revenues include the following fees:

- Motor Vehicle Sales and Use Fee—1 to 2.5 percent on sale and use of on-road diesel vehicles.
- Certificate of Title Fee—\$20 per title transfer (\$15 of this fee is deposited to the Mobility Fund, with the TERP Account being reimbursed with an equal amount by the State Highway Fund).
- Commercial Motor Vehicle Registration Fee—10 percent surcharge.
- Commercial Motor Vehicle Inspection Fee—\$10 surcharge.
- Diesel Equipment Surcharge—2 percent on the cost of the equipment

# Texas Emissions Reduction Plan Account Revenues <sup>(1)</sup>

2012–2015

REVENUE OBJECT CODE	FEE	2012 (2)	2013 (2)	2014	2015
<b>3004</b>	Motor Vehicle Sales and Use Tax.	\$14.5	\$15.0	\$16.6	\$17.6
<b>3012</b>	Motor Vehicle Certificates of Title	\$20.8	\$21.7	\$21.7	\$22.3
<b>3972</b>	Certificate of Title Transfer from State Highway Fund (3)	\$86.3	\$89.4	\$91.1	\$93.3
<b>3014</b>	Motor Vehicle Registration Fees	\$11.7	\$12.6	\$12.5	\$12.9
<b>3020</b>	Motor Vehicle Inspection Fees	\$6.1	\$6.3	\$6.2	\$6.1
<b>3102</b>	Limited Sales and Use Tax	\$45.6	\$55.2	\$38.8	\$38.6
<b>3851</b>	Interest	\$3.4	\$2.6	\$4.1	\$4.4
<b>Other</b>	Miscellaneous Reimbursements, Transfers, and Other	\$1.5	\$0.9	\$0.0	\$0.0
<b>TOTAL</b>		<b>\$189.8</b>	<b>\$203.6</b>	<b>\$190.9</b>	<b>\$195.1</b>

NOTES: (1) Revenues for 2012–13 are from the Comptroller's Cash Reports for 2012 and 2013.

Revenues for 2014-15 are from the Comptroller's BRE for 2014-15.

(2) Amounts for 2012 and 2013 do not include Operating Transfers, Federal Funds, or Unexpended Balances included in the Comptroller's Cash Report

(3) Certificate of Title Transfers from the State Highway Fund for 2014 and 2015 reflect revenues from Motor Vehicle Certificates of Title to the Texas Mobility Fund No. 365.

# TERP Appropriations

Appropriations are made from the TERP Account to the TCEQ and the Texas Engineering Experiment Station (TEES).

TCEQ's expenditures totaled \$5.9 million in fiscal year 2012 and \$123.7 million in fiscal year 2013.

For the 2014–15 biennium, TCEQ is appropriated \$77.6 million each fiscal year.

TEES expended \$0.5 million each fiscal year in 2012 and 2013, and TEES was appropriated \$0.5 million for each fiscal year of the 2014–15 biennium.



# Uses of the TERP Account

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Use of the TERP Account funding is prescribed in Health and Safety Code, §386.252.

Appropriations to TEES fund energy efficiency research relating to building codes.

Appropriations to TCEQ fund various grant programs, research, and agency administration.

# TCEQ Annual Allocation of TERP Funding

2012–2015 Biennium

USE	ANNUAL ALLOCATION	STATUTORY ALLOCATION
TCEQ Administration	\$4,000,000	greater of 4% or \$4M
Texas Clean School Bus Program (max)	\$3,103,847	4.00%
On-Road Diesel Purchase or Lease Incentives (max)	\$0	
New Technology Implementation Grants (max) \$1,000,000 for battery storage	\$2,327,885	3.00%
Texas Clean Fleet Program (min)	\$3,879,808	5.00%
Regional Air Monitoring Program (may)	\$3,000,000	\$3M
Texas Natural Gas Vehicle Grant Program (min)	\$12,415,386	16.00%
Clean Transportation Triangle Program (max)	\$3,879,808	5.00%
Alternative Fueling Facilities Program (max)	\$3,879,808	5.00%
Health Effects Study (max)	\$200,000	\$200K

# TCEQ Annual Allocation of TERP Funding (continued)

2012–2015 Biennium (continued)

USE	ANNUAL ALLOCATION	STATUTORY ALLOCATION
Research	\$1,000,000	Specified Amount
Clean Air Account	\$500,000	\$500K
Energy Systems Laboratory Contract (max)	\$216,000	\$216K
Light-Duty Motor Vehicle Purchase or Lease Incentive (max)	\$3,879,808	5%
Drayage Truck Incentive Program (2%-5%)	\$1,551,923	2%
Diesel Emission Reduction Incentive Programs	\$33,761,890	(balance = 41%)
<b>TERP Program Total</b>	<b>\$77,596,163</b>	

# TERP Account Balances

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TERP Account revenues to the TERP Account that are not appropriated remain in the account balance and can be used for certification of the General Appropriations Act.

For the 2014–15 biennium, the Comptroller used \$992.6 million in balances in the TERP Account towards certification.



## LEGISLATIVE BUDGET BOARD

# **Contact the LBB**

Legislative Budget Board

[www.lbb.state.tx.us](http://www.lbb.state.tx.us)

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